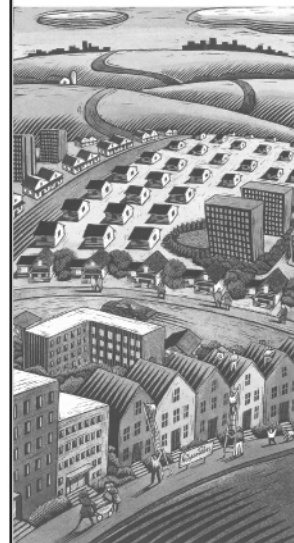


FUNDING STRATEGIES FOR SUSTAINABLE RESIDENT SERVICES

A Summary of

NeighborWorks® Learning Center Consortium
Member Approaches to Structuring Costs and Revenues

May 2005



FUNDING STRATEGIES FOR SUSTAINABLE RESIDENT SERVICES

Summary: NeighborWorks[®] America created the Learning Center Consortium as a way to share best practices and develop standards so that learning centers become as effective as possible. Sustainable funding strategies are the cornerstone of advancing the impact of learning centers upon the communities they serve. This paper reviews the resident funding strategies of twelve learning center consortium members.



May 2005

The NeighborWorks® Multifamily Initiative supports community development corporations in providing affordable rental homes that are cornerstones of neighborhood health. Each property is dedicated to long-term excellence – providing homes that are affordable, attractive and well maintained, financially strong, and a positive social force in the neighborhood. Resident services are a part of this vision of sustained excellence. Services support families to achieve their dreams by building their assets.

The NeighborWorks® Learning Center Consortium, sponsored by the NeighborWorks® Multifamily Initiative, was created to support resident services. Learning centers are facilities located in multifamily housing, where programs and services provide a mechanism for community residents to reach their goals. This consortium has established a simple categorization for resident services and has defined outcome measures. The five main asset areas include: youth education, adult employment, family credit/savings/homebuyer readiness, senior health, community leadership and security. As members identify additional effective measures or asset categories, they will be added. To review data compilation tools that are also being developed and posted on the Consortium's Web site, please visit www.nw.org/multifamily, then click on the tab at the top that says "Learning Centers." These tools make outcome measurement fast and efficient so that the measures support service managers in maximizing their programs' impact. The consortium, responding to member priorities, is also developing information resources such as staff training, white papers, symposia and best practices documentation.

This white paper reviews how owners fund their service programs. Most owners agree that core funding for resident services should come from property budgets. Core funding is frequently an amount similar to an asset management fee – two to three percent of rents or \$300–\$400/unit per year. This funding supports core staffing and facilities capacity. The staff develops the service plan, identifies and oversees service partners, provides services, coordinates the interaction of services and property management, and raises additional funding sources as needed.

Developing core funding requires attention in the development phase to reducing debt or developing subsidy streams to support services. In addition, local fundraising and partnerships create important revenue streams. Nevertheless, developing a clearer definition of what are reasonable amounts of funding to be expected within operating budgets; reasonable impact on operating expenses to be achieved; and rational ways for underwriters to evaluate and compare service provision plans will all assist resident services funding. Sustainable funding is critical to maximizing impact.

There is no standard formula for funding resident services. However, funding strategies reflect four main sources:

Property Operating Budgets. This debt structure results in properties that fund resident services as a line item. This leverage is used to attract additional funding. The structure of the initial development financing heavily impacts the property operating budget and, therefore, the money available for resident services. A higher debt load makes it harder to support resident services while maintaining an adequate debt coverage ratio. If a property primarily receives Department of Housing and Urban Development (HUD) funding (i.e. Section 8), and the funding sometimes allows payment for resident services from operating expenses, the property will be less sensitive to housing market swings. As a result, a constant level of funding for resident services will be available.

Cash Flow. In contrast, properties relying on cash flow are subject to swings in their ability to fund resident services. Rent collection is affected by the vacancy and unit turnover rates, which are a product of management quality and market competition. The property funds resident services as a “below the line” expense (meaning an allocation of cash flow after all financing terms are met), which requires self-imposed discipline to maintaining profitable operations and dedicating those profits to services.

Fundraising. This strategy includes grant and contribution support from foundations, corporations, and individuals. This area is an increasingly competitive and unpredictable source of funding, as foundations and corporations often fund for one year, and often for specific programs.

Public Grants. Local, state, and federal sources often fund specific programs.

This paper documents current funding strategies by 12 consortium members. Nonprofit developers covered in this report fall into two broad categories: local developers and regional/national developers. I want to extend a special thank you to both Andrew Gray, an intern from the University of Maryland, for his initial research, and to Jennifer Covert, who edited this timely material. Text box highlights for each organization are included to enable readers to quickly assess the size of the organization, number of centers and dedicated staff, funding strategies, cost per unit per year, and current programs and services.

A handwritten signature in black ink, appearing to read "F. Ferguson", with a stylized, flowing script.

Frances Ferguson, Manager
NeighborWorks® Multifamily Initiative

AHC INC.

Number of Units:
2,610

Properties with Learning Centers:
7

Source of Funding: Property Operating Budget: 31%
Individual and Corporate: 14%
Government and Foundation: 55%

Year Resident Services Implemented:
1993

Learning Center Staff: 5.75 FTE

Overall cost per unit per year:
\$317

Asset Areas:

Youth:

Preschool
K-12 Homework Clubs
Summer Camp
Teen Clubs

Seniors:

Meals, Trips, Seniorize

Adult/Family:

ESL,
Computer Classes
Parenting Workshops
Financial Literacy

The mission of AHC Inc. is to secure safe, affordable housing for all their neighbors. To do this, AHC sustains and increases the supply of rental and owner-occupied housing for low- and moderate-income individuals; educates the public about the importance of high-quality affordable housing; and ensures that AHC properties enhance the neighborhoods where they are located. Founded in 1975, AHC owns 20 apartment complexes that provide affordable rental housing for more than 5,000 individuals. Eighteen are located in Arlington, Virginia, and two are located in Baltimore, Maryland.

Twelve years ago, AHC initiated a resident services program to help its residents gain access to essential social services. AHC currently operates community centers in five apartment complexes in Arlington and one in Baltimore. Each resident services program offers activities to meet the particular needs of residents. The convenient, on-site locations enable residents and their children to attend programs designed to strengthen their English language skills, improve the children's academic performance, and develop important life skills. AHC has found that it is important to provide services onsite because it overcomes common barriers to participation such as lack of transportation, distrust of strangers and inconvenient program scheduling.

Strategy One: Property operating budgets support resident services in a variety of ways. For example, property fees of \$20 per unit per month, charged by AHC to the property, account for 20 percent of funding needed to support resident services.

Funding in the property's operating budget accompanies grant money that creates a cash flow cushion for supporting resident services. For example, at the 74-unit Hunters Park property, NeighborWorks® America funds were used to write-down the debt service expense. As part of negotiations with HUD and the Office of Multifamily Housing Assistance Restructuring (OMHAR), AHC was required to allocate \$100,000 in operating cash flow for resident service programming.

Given the extent of services needed at Hunters Park, HUD's demands, and the distance from AHC's fundraising base, it was impractical to undertake a \$100,000 per year fundraising effort. Instead, AHC treated resident services as an above-the-line operating expense and obtained additional capital funding from a variety of sources: HUD's Housing Opportunities for Persons with AIDS (HOPWA) and HOME programs (channeled through the city), the Federal Home Loan Bank of Atlanta, a state loan, a bank loan, and tax credits. Securing this capital up front enabled AHC to lower its annual debt-service expense and pay the upfront costs of construction.

Having these upfront capital sources gave AHC enough net operating income (NOI) to pay for resident services as part of its operating budget (before debt services) above the line. AHC used the cash flow to expand its site manager's position from half time to full time and included residential coordination responsibilities in the position.

Strategy Two: Fundraising includes individual and corporate contributions. This revenue accounts for 14 percent of resident services funding.

Strategy Three: AHC Inc. receives state and federal government grants. Examples include the Virginia Department of Education, funded by the U.S. Department of Education's 21st Century Learning Centers program; a grant from Arlington County; and a grant from the Freddie Mac Foundation.

ALAMO AREA MUTUAL HOUSING ASSOCIATION

Number of Units:
1,253

Properties with Learning Centers: 7

Percent of Learning Centers Funded by Property: Property: 100%

Year Resident Services Implemented:
1997

Learning Center Staff: 12 FTE

Cost per unit per year:
\$450

Asset Areas:
Youth:
After School and Summer Programs, Toddler Time

Adult:
Money Management, Home Ownership, Computer Classes

Community:
Resident Committees, Leadership, Community Watch

Alamo Area Mutual Housing Association's (AAMHA) goal is to create affordable communities of choice for residents, some who earn less than 50 percent of area median income. AAMHA serves residents in San Antonio, Texas, who earn less than 80 percent of area median income.

AAMHA's resident services philosophy is to act as a change agent, guided by trust and transparency. The trust generated between AAMHA and residents brokers confidence in management decisions. Transparency includes providing all stakeholders with detailed information about how and why money gets prioritized.

The AAMHA model stresses the importance that systems be replicable. Despite their unique financing backgrounds, all the properties are managed the same. AAMHA contracts out its property management and has developed resident services internally with emphasis on sustainability. Resident services coordinators have been active in the AAMHA portfolio since 1997.

Strategy One: The general fund pools excess cash. AAMHA finances resident services through its operating budget to reflect cash-in-hand rather than from its development budget, funds which may not be available when needed. AAMHA's funding strategy is to secure property financing that produces below-the-line cash resources to fund the learning centers.

AAMHA pools excess cash in the general account and then disburses it to individual properties. In addition, each property budget contains a \$275 line item in operating expenses for supplies. Western Hills Learning Center reflects this strategy. It is a 145-unit, single-story, four-plex owned by AAMHA. All other properties in the portfolio are owned by AAMHA subsidiaries.

Strategy Two: Fee agreements between AAMHA and subsidiary properties begin after all property expenses are fulfilled. Two learning centers are financed using this strategy. Both serve tax credit properties.

Strategy Three: Variable-rate 501(c)3 bonds are an example of debt structuring to support resident services. The low-interest rate allows the general corporate fund to absorb a portion of excess cash for below-the-line financing of services. One example is Babcock North Learning Center (also shares a facility with Babcock North Expansion), which serves a 140-unit, single-story four-plex. It is part of a single-asset corporation.

COMMONBOND COMMUNITIES

Number of Units:
3,500

Properties with Learning Centers:
33

Funding Sources:
Operating Budget: 29%
Private: 35%
Public: 13%
Fees and Contracts: 23%

Year Resident Services Implemented:
1995

Learning Center Staff:
30.5 FTE

Cost per unit per year:
\$723

Asset Areas:
Youth:
K-12 mentoring,
Homework,
Summer Programs

Adult:
Computer Classes,
GED, Employment/
Professional
Development,
Home Ownership,
ESL Citizenship
Classes

Senior:
Individual Services,
Nutrition and
Computer Classes

Community:
Crime Watch,
Events, Resident
Associations

The goal of CommonBond Communities (CommonBond) is to develop and manage quality affordable housing while providing customized resident services.

CommonBond manages and/or co-owns 51 HUD-subsidized properties throughout Minnesota. CommonBond implements resident services through Advantage Services and Advantage Centers.

Strategy One: Fifty-two percent of the resident services budget comes from intracompany allocations. Sources include excess fees from property management, development fees and operating budgets. Most of this funding is generated through the resource development department, which obtains the funding from corporations, foundations, and special events such as an annual grand gala that features live and silent auctions. Foundations are reluctant to fund general operations and resident service coordinators directly; therefore, funding needs to be tied to other program initiatives such as literacy or job creation.

Strategy Two: In addition, Advantage Services receives approximately \$1.4 million a year in in-kind donations. This consists of supplies, staffing and services, such as food banks and AmeriCorps positions, and volunteers from local colleges and others.

Strategy Three: Above-the-line financing primarily comes through an agreement with the Department of Housing and Urban Development (HUD). CommonBond receives a portion of its resident services funding by tapping into reserve funds or operating budgets at HUD's Neighborhood Networks-approved properties. For example, senior services are funded through Section 202 and Section 236 programs. These programs provide operating budget, line-item money for resident services. CommonBond also finances HUD's Neighborhood Networks' senior properties with Section 8 project-based money.

THE COMMUNITY BUILDERS

Number of Units: 7,260

Number of Learning Centers:
7

Funding Sources:
Property
Operating: 46%
Public Grants/
Foundations: 54%

Learning Center Staff: 40+ FTE

Asset Areas:
Youth:
After School and
Summer
Programs

Adult:
Job Training,
Computer
Classes, ESL, GED

Community:
Advisory Council

The mission of The Community Builders (TCB) is to build strong communities where people of all incomes can achieve their full potential. TCB is the largest nonprofit company that combines development, property management and community initiatives.

Typically, these efforts involve the demolition and rebuilding of large, severely deteriorated public and assisted housing projects. Financing for these projects usually include a mix of HOPE VI funds, Section 8 subsidies, other HUD programs and investor equity.

The range and extent of resident services at any given site are relative to the needs of the residents, the size of the site, available budget and staffing resources, the availability of local services and the capacity of providers.

TCB has a rigorous set of outcome and performance measures to help track progress and improve family and site efforts. The outcomes and measures are integrated into a Web-based management information system. TCB supports its community initiatives through a variety of sources.

Strategy One: Operating budgets fund resident services. To the extent allowed by public- and private-funding sources, TCB allocates community initiatives costs into development and property operating budgets. Two examples are syndication and property management fees.

Strategy Two: Federal grants and contracts provide additional community initiatives income. These sources include HOPE VI Community and Supportive Services funding; HUD Resident Services, HUD's Neighborhood Networks and other programs.

COMMUNITY HOUSINGWORKS

Number of Units: 900
Properties with Learning Centers: 12
Funding Sources: Property Operating Budgets, Public and Foundation Grants
Year Resident Services Implemented: 1997
Asset Areas: <i>Youth:</i> After School and Summer Programs, Homework Assistance <i>Adult:</i> Computer Classes, Financial Literacy <i>Community:</i> Community Development Institute, Events, Civic Participation

Incorporated in 1988, the mission of Community HousingWorks (CHW) is to develop and manage housing that provides quality supportive living environments for working families and people in need. CHW funds resident services through the property operating budget, development fees, city government and foundation grants, the general fund, and services fees.

CHW, located in Southern California, began with one resident services position, staffed by an AmeriCorps volunteer. This position worked at one co-op and three HUD Section 236 properties, and was partially funded through HUD oversight fees. Currently, resident service coordinators split their time between properties.

Strategy One: Resident services costs are built into the operating budgets of the properties using an assortment of techniques. For example, CHW budgets resident services into property development projections. Because of unforeseen construction costs, money originally budgeted for resident services may be reduced. Examples include:

- Maplewood Apartments (acquisition and rehab, Section 8 certificates): \$16,283 underwriting by general fund (eventually will use operating budget once deferred development fees are paid); and \$2,400 from operating budget.
- Old Grove: 15,614 for staffing (\$12,000 service fee charged to on-site day care center that the property uses and \$3,614 from subcontracted on-site laundry service); and \$3,500 from operating budget for programs.

Strategy Two: The properties receive funding from government sources. Examples include the Crime Free Multi-Housing program, HOME, CDBG funds, and Local Initiatives Support Corporation. In addition, one property receives money from the City of Poway's Advised Fund through redevelopment fees (specifically, a transfer tax fee).

- Parkview Terrace: \$34,425 for staffing from City of Poway's Advised Fund through redevelopment fees; \$5,700 for activities from operating budget.

Strategy Three: Fundraising for learning centers is raised from private foundations and other grant providers. This money is divided and supports staffing, technical assistance, special events, and centralized administration of after-school program and homeowner clubs.

FOUNDATION COMMUNITIES

Number of Units:
1,900

Properties with Learning Centers:
7

Funding Sources:
Property Operating Budgets: 78%
Foundations and Corporations: 22%

Resident Services Implemented:
1994

Learning Center Staff: 18 FTE

Cost per unit per year:
\$683

Asset Areas:
Youth:
After School and Summer Programs, Field Trips, Sports

Adult:
ESL, Computer Classes, IDA Accounts, Home Ownership

Foundation Communities (FC) creates housing where families succeed. Founded in 1989, Foundation Communities owns and manages 12 properties serving low-income individuals and families in three Texas communities. FC's strategy is to conservatively develop property to produce cash flow for resident services.

Foundation Communities funds resident services through cash flow, both above and below the line, private fundraising (corporations, foundations and individuals), and public programs (local, state and federal), in this order.

Strategy One: Operating budgets are the primary focus for funding resident service programs. The distinction of cash flow above and below the line is sometimes related more to the structuring of the deal than to the actual cash flow. For instance, tax credit partners may not allow resident services in the operating budget, but there still could be enough cash to fund the services below the line. If resident services money is not available in the property budget, money is disbursed from the central reserve.

However, in Austin the rental market has softened over the last three years. Occupancy is down, revenues are down, and expenses are up. This is a worst-case scenario for using cash flow to pay for resident services. These cash flow limitations necessitate the development of private fundraising and matching public programs.

Strategy Two: Foundation Communities accesses foundations and public funding sources. The Department of Health and Human Services' Assets for Independence program, which funds Individual Development Account programs, is an example.

MADISON PARK DEVELOPMENT CORPORATION

Number of Units:
877

Properties with Learning Centers:
1

Funding Sources:
Development and Management Fees: 34%
Grants and Contracts: 43%
Public: 23%

Year Resident Services implemented:
2002

Learning Center Staff: 2.5 FTE

Cost per unit per year:
\$730

Asset Areas:
Youth:
After-school and Summer Programs, Academic Programs

Adult:
Employment Training, Computer Classes, Financial Literacy

Community:
Community-Wide Arts, Culture and Trade Collaborative, Resident Leadership

Founded in 1966, Madison Park Development Corporation (MPDC) provides the framework for holistic community revitalization and redevelopment in Roxbury, Massachusetts. MPDC's mission is to independently develop affordable housing for low-to-moderate income residents.

MPDC engages a third-party management firm experienced in hiring on-site resident services coordinators, who integrate resident services and property management. Resident services include community organizing, job training, a cultural economic development initiative and youth programs.

Strategy One: The resident services budget relies on income generated from real estate development and management fees. Approximately \$500,000 is produced annually from developer fees. MPDC, therefore, needs to grow (by either preserving or producing affordable housing) in order for resident services to be funded. MPDC has improved the structure of financing to support resident services. For example, MPDC convinces lenders that asset management is valuable and that there are costs to owning multifamily properties. Fees need to flow to the sponsor in order to maximize the value of the real estate projects and deal with contingencies. Over time, MPDC will move away from developers' fees as the resident services funding mechanism.

MPDC has full control over the property budget, so the organization mandated that property management companies include resident services in the budget wherever the possibility existed. In addition, MPDC has a certain amount of leverage capability over the property management company because of the size of its portfolio (946 units managed by a third-party firm) and the high profile nature of these properties.

Strategy Two: MPDC continues to seek grant and contract income. This income provides adult employment and children academic assistance through training and case management services.

Strategy Three: As part of HUD's Neighborhood Networks program, MPDC uses some Section 8 money at learning centers for computers and technology training. For example, Orchard Gardens is a HOPE VI property with 331 family units. Boston Housing Authority (BHA) operates the services program there because it retained the HOPE VI social service funding and either hired staff or consultants to implement programs. MPDC still works with residents but leaves the provision of all services to BHA.

MERCY HOUSING

Number of Properties: 120

Properties with Learning Centers: 105

Funding Sources:
Property Operating Budget: 35%
Fundraising: 30%
Corporate: 30%

Year Resident Services Implemented:

1981, since inception

Learning Center Staff: 80 FTE

Cost per unit per year:
\$300 (*only assessed on occupied units*)

Asset Areas:

Youth:
After School and Summer Programs, Teen Employment

Adult:
Computer Classes
IDA Accounts, Home Ownership, ESL, Job Training

Community:
Learning Center Council, Neighborhood Watch

The mission of Mercy Housing Inc. (Mercy) is to create and strengthen healthy communities through the provision of quality, affordable, service-enriched housing for individuals and families who are economically poor. The mission-driven nature of Mercy Housing has enhanced its provision of resident services.

In general, 30 percent of resident services are financed above the line in the operating budget, and 70 percent are financed below the line. Mercy Housing's resident services funding strategy is to bring the debt level down because Mercy Housing is primarily interested in funding resident services as an above-the-line budget item. It does so by pooling money to bring down the debt rather than earmarking money for resident services.

Mercy Housing resident services' outlays for fiscal year 2004 were \$6.3 million. Of the \$6.3 million, \$2.7 million came from property budgets; \$1.3 million to \$1.4 million came from fundraising; and \$2 million came from Mercy Housing. Of the \$2.7 million from the property budgets, \$2 million came from properties in California, most of which are tax credit properties.

Strategy One: Tax abatement and contract services support resident programs. For instance, Mercy provides resident services to the California Housing Finance Agency and received a source payment for resident services. Mercy Housing's mission-driven nature has leveraged a tax abatement, which is used to fund resident services below the line. In the state of Washington, Mercy has achieved nonprofit exemption status for a negligible amount of money through the state's Housing Trust Fund. As a large developer, Mercy Housing is pursuing a number of HUD Mark-to-Market projects.

Strategy Two: In the future, Mercy Housing will pursue both grant-based and rent-based revenue for services. Grants are critical for research and development on how to improve services because this kind of evaluative work usually cannot be funded through rents.

Mercy is starting to implement a template methodology for resident services' provision entitled Senior Properties Resident Programs Model and Family Properties Program Model, with activities, outputs, outcomes and measures. With

extensive involvement from Mercy's resident services staff at local sites, the national Mercy Housing office is developing its own program templates for various programs so that it can make use of the best practices it generates from all its properties.

Mercy Housing is an information clearinghouse and uses economies of scale. Once the resident services program model is implemented, programs will become standardized across properties, allowing for site-specific adaptations within the framework of consistent program templates. The new program model emphasizes increased use of volunteers or program partnerships in delivering resident services. Mercy

also imagines a future in which resident services teams could provide specialized services such as financial education in areas where properties are clustered closely together.

For example, foundation grant money usually only supports building community centers, but the CTM Foundation went beyond funding the community center at Stapleton Parkside Apartments to also fund the first three years of an after-school program at the community center.

- Stapleton Parkside Apartments is a 68-unit tax credit property that also receives federal, state and local Federal Home Loan Bank program funds and other foundation funds.

CTM Foundation was willing to fund the first three years of services at Stapleton Parkside Apartments because over the course of several months, Mercy Housing staff convinced the foundation of the importance of this long-term resident services funding.

ROCKY MOUNTAIN MUTUAL HOUSING ASSOCIATION

Number of Units:
1,327

Number of Learning Centers:
4

Funding Sources:
Property Operating Budget: 56%
Foundations: 20%
Consulting Agreements: 24%

Year Resident Services Implemented:
1994

Learning Center Staff: 8 FTE

Cost per unit per year:
\$377

Asset Areas:
Youth:
After School and Summer Programs, Youth Mentoring, Leadership

Adult:
Parenting Support, Computer Classes, Financial Literacy, Employment Assistance

Community:
Resident Councils, Town Meetings, Neighborhood Leadership Academy

The mission of Rocky Mountain Mutual Housing Association Inc. (the Mutual), incorporated in 1992, is to be a partnership organization of local community and resident members that develop, own and manage permanently affordable housing, and to provide access to opportunities for low- and moderate-income residents. The Mutual owns manages 10 properties in Colorado, and four learning centers in Denver.

Strategy One: From 1994 to 2001, resident services, called *Access to Opportunities*, were financed entirely through property operating budgets. Properties with sufficient cash flow funded resident services as a line item. Properties without the cash to fund resident services would have them funded at the corporate level by pooling excess cash. Resident services are still primarily funded through this strategy. Examples include:

- Resident councils of adjoining properties decided to fund the operations of a joint activity center through a \$35 per unit, per month self-assessment. This pays for the 9,800 square-foot facility; provides staff coverage for 12 hours a day, six days per week; technology center interns; and technology center management.
- In addition, a \$2 per unit, per month self-assessment fee, levied by the resident council, funds the resident initiative and leadership development activities.

Strategy Two: Local foundations fund resident services. During economic downturns and occupancy fluctuation, foundation grants are increasingly important to maintaining staffing levels. Rocky Mountain has found that foundation money is not a sustainable way to fund programs, but is has been effective in the short term. In 2004 the Mutual raised \$80,000 to support resident services.

Strategy Three: Collaborative partnerships fund many programs in the learning centers. The Mutual develops collaborative partnerships with nonprofit and public service providers to deliver high quality, nationally recognized programs to Mutual residents and the surrounding communities. The Mutual provides outreach support and facilities, and the partnering agency provides for the program and staffing costs. Currently, community partners invest over \$260,000 annually in the four learning center communities, and these in-kind funds are leveraged with foundations.

Strategy Four: Consulting and resident services management is a potential additional revenue source. The Mutual is developing an affiliate to provide resident services oversight to other nonprofit affordable housing providers that want to develop a resident services component in their portfolio.

SACRAMENTO MUTUAL HOUSING ASSOCIATION

Number of Units:
528

Number of Learning Centers:
9

Funding Sources:
Organizing Fees:
28.5% Fundraising/
Contracts: 71.5%

Year Resident Services Implemented:
1994

Learning Center Staff:
9 FTE

Cost Per Unit Per year: \$910

Asset Areas:
Youth:
After School and Summer Programs,
Homework Clubs,
Teen Employment

Adult:
Financial Literacy,
Computer Classes,
IDA Accounts, ESL

Community:
Community Watch,
Resident Council,
Youth Council,
Leadership Institute

The mission of Sacramento Mutual Housing Association (SMHA) is to develop and operate permanently affordable housing that builds strong and stable communities through resident participation and leadership development. Located in California, SMHA owns and manages nine properties.

Strategy One: Fundraising supports a portion of resident services costs. Examples include foundations, NeighborWorks® America and corporate grants. Other fundraising events and individual donations provide further funding. SMHA has created a new resource development position to increase this type of support. This will ensure that programs in all SMHA properties are able to continue serving very low-income residents.

Strategy Two: The general operating budget funds resident services using housing developer fees. In the future, SMHA will further access the property's operating budget through a community organizers' fee. This has been difficult, particularly for properties that do not have excess cash flow. Currently, the community organizers' fee covers about one-third of the residents' services budget.

Strategy Three: Corporate funds pay for learning center construction. SMHA constructs learning centers using a variety of funding sources: US Bank tax credit investment and a US Bank mortgage and bridge loan; an FHLB affordable housing subsidy through River City Bank; a deferred loan from the Sacramento Housing and Redevelopment Agency, through a housing trust fund with revenue from a commercial development linkage fee; and a grant from NeighborWorks® America. Funding for the Victory Town Homes/Evergreen Estates community center came from the same sources used in financing the town homes.

SOUTH COUNTY HOUSING

Number of Units:
1,090

Number of Learning Centers:
10

Funding Sources:
Property Operating Budget, Grants, Property Fees

Year Resident Services Implemented:
1989

Learning Center Staff:
8 FTE

Cost per unit per year:
\$164 - \$345

Asset Areas:
Youth:
After School and Summer Programs, Homework Help, Teen Employment, Pregnancy and Gang Awareness

Adult:
Financial Literacy, Parenting Classes

Senior:
Computer Classes, Health Screening

Community:
Resident Association, Neighborhood Watch

The Mission of South County Housing extends beyond developing and managing safe, quality affordable housing because the true measure of success lies in the positive change made in the lives of the people served. South County owns and manages 30 properties located across four California counties. Resident services are funded through a mix of grants, internally generated property management fees, with the balance supported by internal cash flow.

Strategy One: South County aggressively pursues fundraising for service programs on 10 properties that have social needs, community expectations or funding requirements. South County does not fund resident services through its development budget. The 10 learning center properties constitute South County's pilot resident services program. The funding sources of newer properties require resident services onsite, but this is an unfunded mandate. Each property has a resident services budget separate from the operating budget so that expenses can be tracked and a better plan for strategic grant funding can be developed.

Strategy Two: Financing allows resident services to be supported by the property. An example of this strategy is Monticelli Apartments, a family and seniors property with tax credit and Multi-Housing Program funding. This property has a full complement of services because it is one of the first South County properties where funders required services as part of the regulatory agreements with the tax credit partners, the Federal Home Loan Banks' Affordable Housing Program, and the Multi-Housing Program.

Strategy Three: South County develops leveraged partnerships to eventually secure grant funding. Service providers and the housing organizations are actually competing for the same grant money, which has led housing organizations to partner with service providers to seek foundation grants. South County has recently worked with service providers to write and submit grants. South County will consider using some of the partnership fee (similar to an incentive management fee) to counterbalance the cost of the service component.

Wheeler Manor is a senior citizen development with tax credit funding and Rental Housing Construction Program money through the state of California. The property receives a United Way grant, which has been coming through for 10 years and offsets the resident service coordinator salary. However, this grant has been getting smaller every year.

WOONSOCKET NEIGHBORHOOD DEVELOPMENT CORPORATION

Number of Units:
110

**Number of
Learning Centers:**
2

Funding Sources:
Property Operating
Budgets: 21%
Public: 71%
Foundations and
Contributions: 8%

**Year Resident
Services
Implemented:**
1998

**Learning Center
Staff:**
2.5 FTE

**Cost per unit per
year:**
\$754

Asset Areas:
Youth: After-School
and Summer
Programs, Youth
Employment

Adult:
Financial Fitness,
Homebuyer
Education,
Computer Classes

Community Resident
Association, Events,
Neighborhood Artist
in Residence
Program

Woonsocket Neighborhood Development Corporation (WNDC) works with residents to open affordable opportunities for everyone to live in exceptional homes and neighborhoods throughout Northern Rhode Island and the Blackstone River Valley.

Strategy One: Resident services are funded primarily through a public grant. Rhode Island Housing & Mortgage Finance Corporation (RI Housing), the state housing finance agency, issues an annual request for proposals under its YouthRAP program, and invites all of the subsidized developments it oversee to submit competitive proposals. Each development is eligible for up to \$20,000. This YouthRAP grant must be matched with \$5,000 (or 25 percent) from the operating budget of the development. There are special provisions to have the match waived in the case of marginally operating developments. WNDC currently has three tax credit projects with YouthRAP grants.

Strategy Two: Resident services are supported through small contributions from property operating budgets. In addition, this core program support is supplemented with other fundraising.

Strategy Three: Partnership organizations provide resident services. WNDC also provides steeply discounted office and community space to partner agencies in exchange for their operating programs that are needed in the community. WNDC has developed four sites with almost 9,000 square feet of space for these types of partnerships. Another example is the unique Neighborhood-Artist-in-Residence program that provides free housing in exchange for arts instruction and mentoring at the learning center. Finally, WNDC has a long-standing relationship with a local homeless shelter to provide ongoing supportive services and other assistance to formerly homeless residents living in its tax credit developments.

APPENDIX

Strategies for local developers

The results of this research suggest categories of resident services funding that apply to local developers:

- Cash flow
- User fees
- Private fundraising
- Public funding
- Partnerships

Strategies for regional and national developers

The Community Builders' Pat Costigan, senior vice president of community initiatives, developed a resident services funding system, categorized according to development budget and operating budget mechanisms. Many of these strategies may be used by local developers.

Development Budget

- Tax credit equity allocations: State-allocated tax credits from IRS yield private investment money for affordable housing. Some of this money may fund resident services if the tax credit partnership allows.
- Tax transfer funds (i.e. real estate transfer taxes): The local jurisdiction levies a fee (some amount/\$1,000 of property value) when a property is transferred. This money is pooled by the jurisdiction for development purposes (resident services are one example).
- Development capital allocations (also known as sinking funds): Owner/developer assembles a development package of CDBG, bank, and foundation money worth \$1 million, but the total development cost is only \$.75 million; The remaining \$.25 million can be invested. Some say 10 percent (\$25,000) may be pulled out each year to pay for resident services while the principal continues to earn interest.
- Allocations from loan originations: Do-gooder lenders reduce loan payments in exchange for funding of resident services.
- Consent decree proceeds: Discrimination lawsuit money is pooled by the jurisdiction and may be used for resident services.
- Real estate speculation: Buy a property and sell when it appreciates. This may work as part of a very large deal or a mixed-income deal where single family homes may create more profit than rental home development.

- HOPE VI Community and Supportive Services (CSS) set asides: A portion of the funding from this federal redevelopment program can be used to directly fund resident services.

Operating Budget

- Incentive management fees: Tax credit partnership pays owner/manager performance bonus for meeting the targeted number of people and living conditions; paid every year, target met up to 15 years of compliance period.
- Interest on reserve account from operating reserves: The reserve account is designed to fund contingencies such as energy cost increases. Interest on this account may be used for resident services if agreed upon by the tax credit partnership.
- Tax abatement funds: Real estate tax may be voided for a period of time; then, one can compute the present value of the real estate tax avoided for that time period and borrow from the bank against this amount.
- PILOT funds: PILOT fund stands for Payment in Lieu of Taxes. A nonprofit such as Fannie Mae that pays no sales or real estate tax may agree to pay into a fund; then the money can be disbursed for programs like resident services.
- Budget line items in operating budget: Including resident services above the line as a line item in the operating budget means funding from general revenue.
- Allocations from lease-up: Earmarked funding available to get people settled and fill up the affordable housing property can be used to fund resident services.
- Debt residual receipts: An allowed allocation for resident services costs before the interest on secondary mortgage loans is paid.
- Debt arbitrage: A nonprofit can get a \$500,000 loan at three percent; then loan the money to a partner at five percent; apply spread between loans.

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The NeighborWorks® Multifamily Initiative

Launched in 1999, the NeighborWorks® Multifamily Initiative is the collaborative portfolio management program for NeighborWorks® organizations whose primary mission is development and ownership of affordable rental housing. Currently, 78 NeighborWorks® organizations operating in 35 states and Puerto Rico belong to the Multifamily Initiative. Together, they own apartment properties providing affordable rental homes to more than 40,000 households.



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